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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 01/24/07 **HB** _____

SPONSOR Leavell

SHORT TITLE Certified Business Incubators **SB** 67

ANALYST Hanika Ortiz

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$750.0	Recurring	General Fund

Duplicates House Bill 175

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

SUMMARY

Senate Bill 67 appropriates \$750 thousand to EDD for expenditure in FY08 and FY09 for operating funds for certified business incubators in New Mexico. No single recipient will receive more than \$150 thousand per year, and any single recipient receiving funding must provide a fifty (50) percent cash match.

FISCAL IMPLICATIONS

The appropriation of \$750 thousand contained in Senate Bill 67 is a recurring expense to the general fund for expenditure in fiscal years 2008 and 2009. Any unexpended or unencumbered balance remaining at the end of fiscal year 2009 shall revert to the general fund.

U.S. Department of Commerce reports that every \$1 in public investment in incubators returns more than \$4.50 in taxes and economic growth. Nationwide, 87% of firms that graduate from business incubators remain in business after five years.

SIGNIFICANT ISSUES

EDD reports that state requirements for certification of business incubators provide a structure for success for developing incubators and evaluating the effectiveness of existing business incubators.

EDD further reports that the average cost of starting an incubator is \$2.3 million; and business incubators are rarely self-sustainable. Often the host community must provide the funding and resources to sustain the incubator in addition to the development costs. State and federal sources of funding for “soft costs” associated with providing staff and business services for incubators are nearly non-existent. The challenges of developing and sustaining incubators in communities that cannot provide this funding are substantial without these outside sources.

ADMINISTRATIVE IMPLICATIONS

EDD has been administering the business incubator certification program since its creation in 2005, and can continue to do so with existing staff and resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates House Bill 175 “Certified Business Incubators”

OTHER SUBSTANTIVE ISSUES

EDD notes that cultivating local entrepreneurs can be an important source of jobs for small, rural communities that lack the resources and population base to recruit industry.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

EDD further notes since the beginning of the New Mexico Incubator Certification Program in 2005, four business incubators have been certified statewide: two in Albuquerque, one in Santa Fe and one in Farmington. Other communities statewide, including Hobbs, Clovis, Cuba, Silver City, Tucumcari and Las Vegas, are in various stages of trying to develop business incubators and attain certification. A funding source such as this legislation is essential if these and other communities are to be successful in starting and maintaining effective business incubators. EDD believes without this appropriation opportunity for job creation and economic growth will be lost to the communities that cannot identify these resources on their own.

POSSIBLE QUESTIONS

EDD reports that nationwide, 87% of companies that graduate from business incubators remain in business after five years. How do participating New Mexico companies compare?

AHO/csd